

2021 Overview of the Trucking Industry Challenges and Opportunities

Presented by the
Colorado Motor Carriers Association
August, 2021

Overview of Presentation

1. Overview/Facts about the Colorado Trucking Industry
2. Impacts and Implications of Closure of I-70 through Glenwood Canyon on Supply Chain
3. Industry's Greatest Challenge – Driver Shortage
4. Possible Legislation for TLRC Consideration

Trucking is Important Segment of Colorado's Economy



Average base salary ?

4.3k salaries reported, updated at August 1, 2021

\$72,622

per year

The average salary for a truck driver is \$72,622 per year in Colorado.

▲ 8% higher than national average

* Information from Indeed.Com

Trucking is the Engine that Fuels Colorado's Economy

COLORADO

COLORADO

EVERY YEAR, **\$305 BILLION** IN GOODS ARE SHIPPED TO AND FROM SITES IN COLORADO



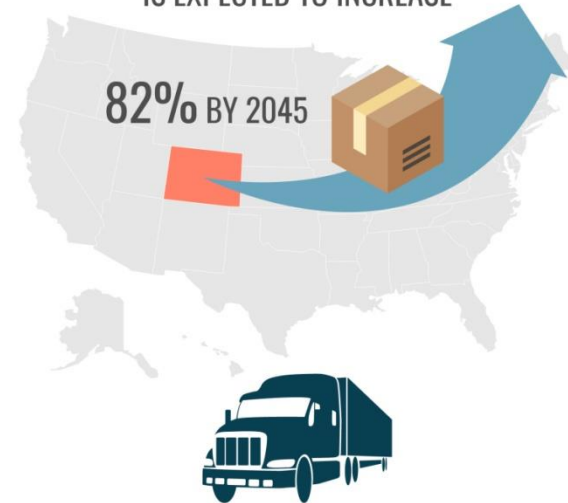
67% ARE CARRIED BY TRUCKS

TRIP A National Transportation Research Nonprofit

COLORADO

COLORADO

THE VALUE OF FREIGHT SHIPPED TO AND FROM SITES IN COLORADO IS EXPECTED TO INCREASE



68% FOR GOODS SHIPPED BY TRUCKS

TRIP A National Transportation Research Nonprofit

EPA Affiliate

Trucking is Essential to Colorado's Economy and Well Being



79% of ALL Colorado Communities are Solely Served by Trucks for their freight needs

\$ TRUCKING PAYS THE FREIGHT



INDIVIDUAL COMPANIES

As of January 2021, a typical five-axle tractor-semitrailer combination paid:

\$8,552 ←
state highway user
fees and taxes &

\$8,906 ←
federal highway
user fees and
taxes

These taxes were over and above the typical taxes paid by businesses in Colorado.

ROADWAY USE

89,069

Miles of public roads in Colorado (2019)

Miles driven on public roads:

All Motorists: **54.6 billion**

Trucks: **3.4 billion**



Trucking Industry has Reduced PM and Nox Emissions in New Trucks by 98% versus 1988

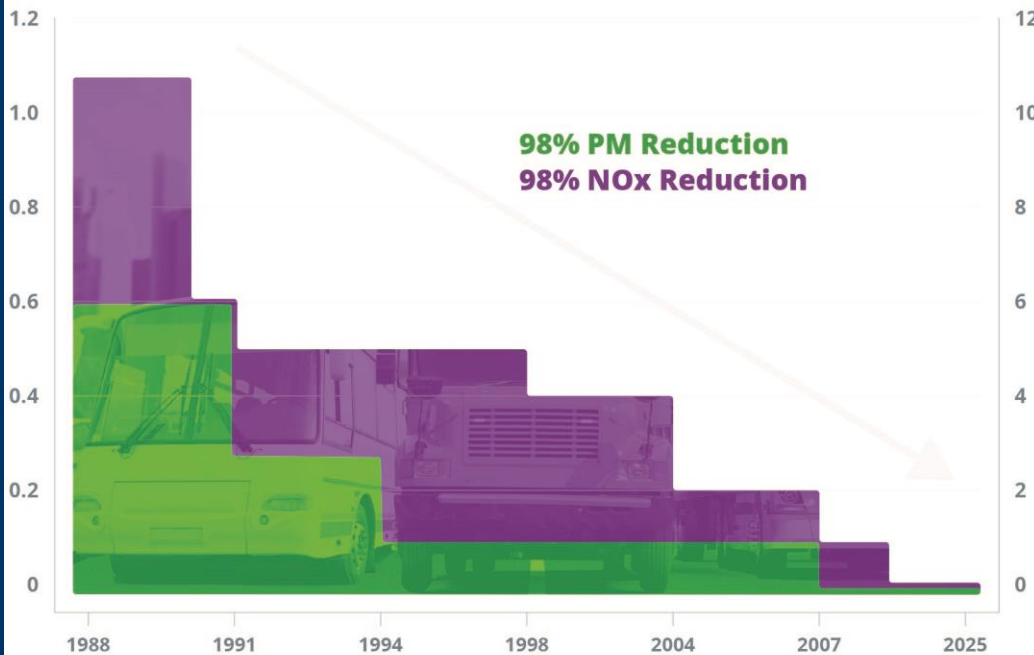
CLEAN DIESEL PROGRESS

Heavy-Duty On-Highway



PM (g/bhp-hr)

NOx (g/bhp-hr)



Source: U.S. EPA Office of Transportation and Air Quality (OTAQ)

New technology diesel trucks reduced **126 million tonnes of CO₂** emissions since 2007



Equal to removing CO₂ emissions from **26M** passenger vehicles from the road for one year or making them **zero emission** electric vehicles

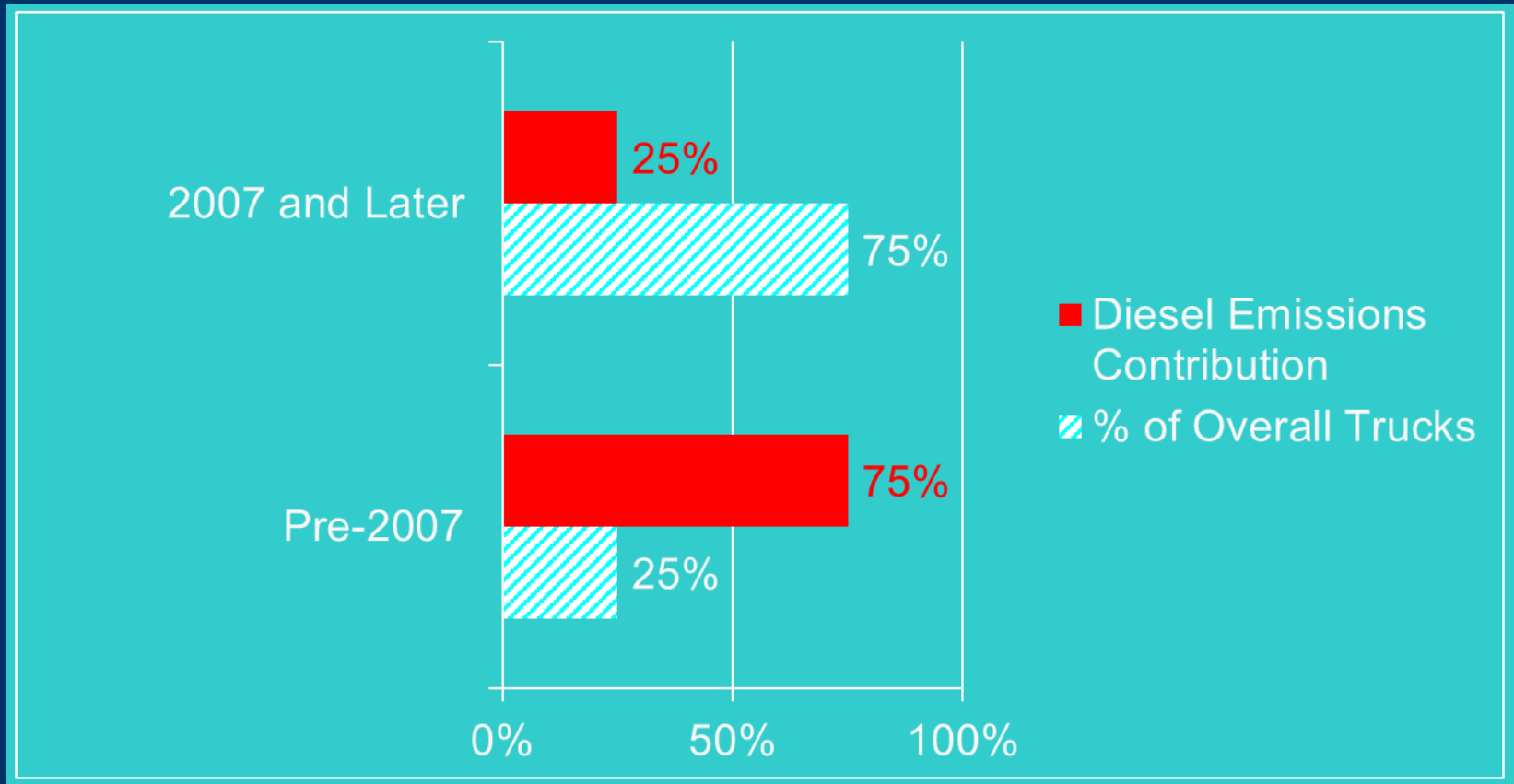


Source – July 2019 U.S. Vehicles in Operation Data (Class 3-8 vehicles, Model Year 2010 and newer) provided by IHS Markit

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Highlighting Where Greatest Problem Lies for On-Highway Diesel Emissions – Greatest ROI is Removing/Scrapping Older (pre-2007) Trucks and Replacing with Newer



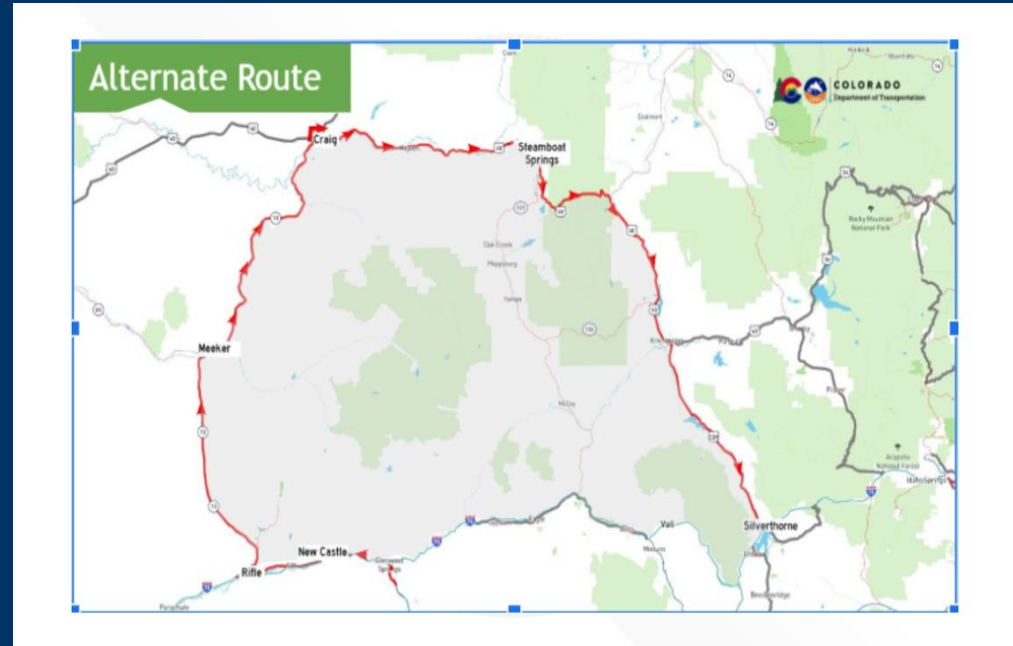
Impact of Closure of I-70 through Glenwood Canyon on Supply Chain

Denver to Grand Junction on I-70: **Normal Drive Time – 4 to 4.5 Hours (roundtrip 9 to 10 hours)**

Alternate Route (I-70 at Silverthorne (Exit 205) onto CO 9 to US 40 to Craig, then south on CO 13 to Rifle, rejoin I-70:

Detour Drive Time – 6.5 to 8 hours (roundtrip 13 to 16 hours)

Federal Truckdriver Hours of Service Rules: **11 hours of drive time over 13 hour on duty period/followed by mandatory 10 hour rest period**



How Does this Affect the Supply Chain:

50% of the Traffic on I-70 West travels to or from destinations on the West Slope. Many of those locations could be served by a truckdriver within his/her allowable driving hours within one day. Because of additional travel time on alternate route for many of those trips now requires that the driver layover on West Slope. Alternate route is 100 miles longer. This translates into additional transport costs to cover additional time, fuel, and in some cases overnight accommodations for drivers. These costs are passed on to businesses and consumers.

Implications of Closure of I-70 through Glenwood Canyon within Colorado

Much of the supply chain serving western Colorado related to fuel, food, and many other products is provided from distribution centers on the Front Range (mostly the Denver Metro Area). **All** of these products and services are affected by the I-70 closure at Glenwood Canyon.

Direct Impacts

- Greater transportation costs which translate into higher prices for consumers
- Greater traffic on alternate routes and through communities with roadways not designed for high volumes
- Greater costs to shippers transporting goods to or from western Colorado
- Substantially increased driver shortage as more drivers needed due to additional travel time requirements
- Periodic shortages of products
- Delays in deliveries and pickups – ripple effect across all sectors
- Less certainty in supply chain

Implications on a Regional and National Basis of I-70 Closure

- Higher costs and delays for Colorado businesses shipping and receiving products from outside the state. Impacting consideration by businesses as to relocating here.
- Impacting freight movement on a national and regional basis forcing realignment routes adding miles and time to many shipments
- Impacting surrounding states as interstate traffic is being pushed on to those corridors.

Short Term Actions to Address I-70 Closure

- CMCA has requested that all interstate trucking operations without a pickup or delivery in Colorado to avoid I-70 between Grand Junction and Denver and instead use I-80 or I-40.
- State has granted Hours of Service exception for fuel transporters to help ease supply issue
- CMCA and 14 other construction, agriculture, and regional groups have asked for State/US DOT for emergency action to raise temporarily the weight on the interstate highways to 85K (similar to other state highways) to address driver shortage and additional demands created by closure
- Considering additional actions to address problems

Truck Driver Shortage

"Running on Empty"



Truckdriver Shortage is National Issue and Story



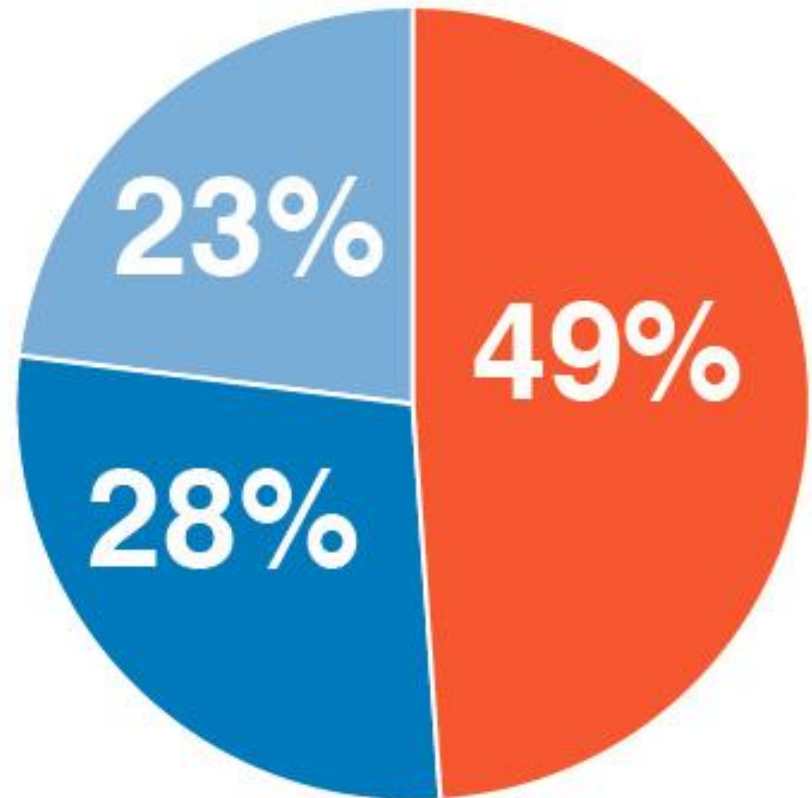
- ❖ America has a massive truck driver shortage. Here's why - Washington Post
- ❖ Why the Trucking Shortage Is Costing You - Bloomberg
- ❖ Get in Line: Backlog for Big Rigs Stretches - Wall Street Journal
- ❖ Trucking industry faces driver shortage - CNBC
- ❖ Drivers Wanted: Why the Trucking Shortage Is Costing You
 - ❖ Pressures of America's Truckdriver Shortage on Restaurants

How Bad is the Shortage in Colorado?

- Worst driver shortage that our industry has witnessed in Colo.
- Indeed.com lists **3,941 job postings for truckdrivers in CO. today.** Most listings are seeking multiple drivers. Many have hiring bonuses of several thousand dollars
- **Hundreds of companies in different sectors are short truckdrivers** which is affecting freight pickups/deliveries, manufacturing, trash collection, construction (delays/cancellations) and agriculture. Every company in our organization is looking for drivers
- **Companies are embargoing freight** while waiting for trucks and drivers to free up
- **Worst may be yet to come** with harvest season and holidays coming during an already tough freight market that will further stress the system.

What's driving the shortage?

- 49%** Due to Retirement
- 28%** Due to Industry Growth
- 23%** Due to Drivers Quitting, Dismissed or Disqualified



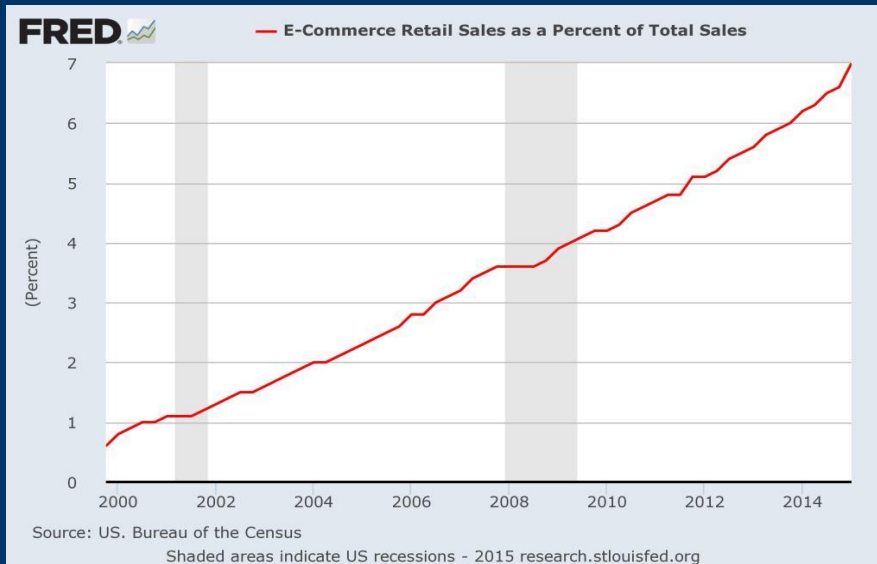
SOURCE: AMERICAN TRUCKING ASSOCIATIONS

Demographics and Other Challenges Fueling the Problem

- **Age** - Median age of over-the-road truck driver is 55 compared to 42 for all U.S. jobs. During the pandemic many older drivers chose to retire deepening the shortage. In addition the age requirement to drive across interstate lines is 21.
- **Lack of Female Drivers** - While women make up 47% of all U.S. workers, they **only comprise 6% of all truckdrivers**. Working hard to attract more women
- **Lifestyle** - Truckdriving may involve being on the road for a week or more, that lifestyle is not attractive to many people
- **Greater Job Options** - The job market has improved and there are **more job alternatives** available for current/would-be drivers.
- **Difficult Regulatory Environment** – Very regulated industry with substantial amount of rules and laws for drivers

E-Commerce

Big Factor in Freight Movement and Driver Shortage "Point – Click – Truck"



COVID Exacerbated the Driver Shortage

- Disproportionately greater number of older drivers chose to retire rather than deal with the challenges posed by the pandemic
- Driving Schools were closed initially and then due to COVID restrictions class sizes were smaller – 40% drop in CDL drivers in the past year
- Rapid shutdown of certain sectors of economy early in the pandemic led to displacement of drivers and some moved into other sectors of the economy

Driver Shortage Bad and Going to Get Much Worse

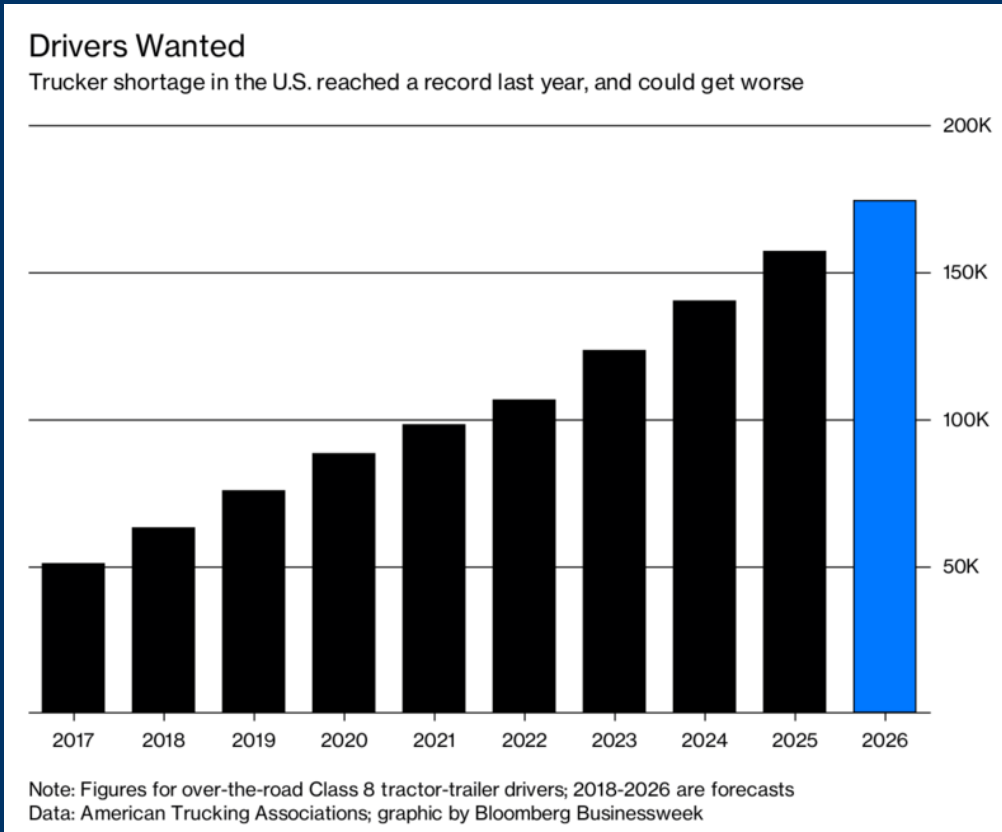


Chart only reflects shortage of long haul tractor-trailer drivers. Including local and regional drivers of tractor-trailers as well as delivery trucks, **the nationwide shortage today is over 280,000**

Industry Response to Relieve Driver Shortage

- **Driver Pay Increases:** The shortage of drivers is creating higher wages. Wages have increased with companies from 15% to 50% over the past few years and sign-on bonuses are being offered as well as improved total compensation package in the industry. Drivers are paid well above the median with many making >\$80,000 annually.
- **More At-Home Time:** Potential drivers are often hesitant to take a job that requires so much time away from home,
- **Improved Driver Image:** The public perception of a truck driver has unfortunately a tendency to be negative. Creating a positive image will hopefully highlight a demanding but rewarding
- **Expansion of Times and Days of Delivery** – Sunday and evening deliveries added
- **Aggressive Recruitment and Retention Programs**

Possible Longer Term Solutions to Driver Shortage

- Support/legislation for extended training program for new CDL drivers. Provide tax credit of \$10,000 per driver to companies to offset the cost for the extended training after hiring to bring new people into industry. Possible greater tax credit (\$15,000) to hire hard to employ individuals with previous criminal offenses
- Support for program for departing soldiers to have opportunity to be trained at no cost in last six months on duty and have a guaranteed, good job upon leaving. *Need assistance with military authorities.*
- Support for greater outreach to women/minorities for careers in trucking
- Support Pilot Program for a Lower Driving Age for Interstate Drivers with Graduated Program. Interstate driving has an age minimum of 21. The 18-20 year old segment has the highest rate of unemployment, yet this is a segment industry cannot access
- Enhanced productivity – increasing gross weight on interstate to match that on other state highways (85,000 pounds).

Proposed Legislative Concepts for Consideration by the TLRC

- Modification of Definition of Milk Products as a Non-divisible Load in State Law – Consistency with Other States
- Modification of Passenger Traction Law to Address Oversight in Current Law



Delivery of medical supplies to the affected area will cease
Hospitals will run out of basic supplies such as syringes
Service stations will begin to run out of fuel
Manufacturers using just-in-time manufacturing will develop component shortages
U.S. mail and other package delivery will cease. Within one day, food shortages will begin to develop
Automobile fuel availability and delivery will dwindle, leading to skyrocketing prices and long lines at the gas pumps



Food shortages will escalate, especially in the face of hoarding and consumer panic
Supplies of essentials, such as bottled water, powdered milk, and canned meat at major retailers will disappear
ATMs will run out of cash and banks will be unable to process transactions
Service stations will completely run out of fuel for autos and trucks
Garbage will start piling up in urban and suburban areas
Container ships will sit idle in ports and rail transport will be disrupted, eventually coming to a standstill



Automobile travel will cease due to the lack of fuel
Hospitals will begin to exhaust oxygen supplies



The nation's clean water supply will begin to run dry



The nation will exhaust its clean water supply
Illnesses will increase, further taxing an already weakened health care system



Thank You and Remember Without Trucks Colorado Stops!